

**KIPP New Orleans, Inc.**

**Financial Report**

**June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 18 2012**

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# macdonaldpage & co<sup>LLC</sup>

Certified Public Accountants and Management Advisors

## Independent Auditors' Report

Board of Directors  
KIPP New Orleans, Inc  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of KIPP New Orleans, Inc. as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of KIPP New Orleans, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of KIPP New Orleans, Inc. as of June 30, 2010, were audited by other auditors whose report dated December 31, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP New Orleans, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of KIPP New Orleans, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of financial position by school and activities by school are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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The performance and statistical data included as Schedules 1 through 9 is presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*M. J. P. & Co.*

South Portland, Maine  
December 23, 2011

## Statements of Financial Position

June 30,

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,459,492	\$ 1,820,179
Prepaid expenses	124,778	112,412
Grants receivable	1,266,974	1,091,379
Other receivables	10,323	20,000
Other assets	2,317	7,099
<b>Total Current Assets</b>	<b>2,863,884</b>	<b>3,051,069</b>
<b>Other Assets</b>		
Deposits	1,500	2,455
<b>Non-Current Assets</b>		
Property and equipment (net of accumulated depreciation)	1,110,284	555,370
<b>Total Assets</b>	<b>\$ 3,975,668</b>	<b>\$ 3,608,894</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 756,952	\$ 786,970
Due to KIPP Foundation	127,125	82,129
Notes payable	91,485	
<b>Total Current Liabilities</b>	<b>975,562</b>	<b>869,099</b>
<b>Non-Current Liabilities</b>		
Long-term debt	523,472	500,000
<b>Total Liabilities</b>	<b>1,499,034</b>	<b>1,369,099</b>
<b>Net Assets</b>		
Unrestricted	2,231,644	2,037,164
Temporarily restricted	244,990	202,631
<b>Total Net Assets</b>	<b>2,476,634</b>	<b>2,239,795</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,975,668</b>	<b>\$ 3,608,894</b>

See accompanying independent auditors' report  
The accompanying notes are an integral part of these financial statements

## Statements of Activities

Years Ended June 30,

	2011	2010
<b>Unrestricted Net Assets</b>		
<b>Public Support and Other Revenues</b>		
Local per pupil aid	\$ 7,308,225	\$ 5,020,046
Federal sources	4,734,024	3,924,076
State public school funds	6,221,747	4,238,137
Donations and contributions	2,556,261	1,208,820
Other local sources	149,395	154,806
Other state funds	183,768	123,948
<b>Total Public Support and Other Revenues</b>	<b>21,153,420</b>	<b>14,669,833</b>
<b>Net Assets Released from Restrictions</b>	<b>197,863</b>	<b>240,414</b>
<b>Total Support, Revenues and Reclassifications</b>	<b>21,351,283</b>	<b>14,910,247</b>
<b>Expenses</b>		
Program services		
Regular education programs	8,193,283	7,282,170
School administration	2,311,979	1,696,163
Operation and maintenance of plant services	1,853,274	1,128,338
Special education programs	1,389,769	971,333
Food services	1,149,555	834,774
Student transportation	1,193,721	792,017
Instructional staff services	560,682	574,478
Pupil support services	1,430,894	911,481
Other special programs	217,618	229,977
Other instructional programs	534,849	297,017
Community service operations	14,259	12,490
	<b>18,849,883</b>	<b>14,730,238</b>
Management and general		
Business services	985,663	689,206
Central services	754,053	558,269
General administration	366,712	293,816
Other support services	94,048	94,178
	<b>2,200,476</b>	<b>1,635,469</b>
Fundraising	<b>106,444</b>	<b>100,845</b>
<b>Total Expenses</b>	<b>21,156,803</b>	<b>16,466,552</b>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>194,480</b>	<b>(1,556,305)</b>
<b>Temporarily Restricted Net Assets</b>		
Donations	240,222	222,222
Net assets released from restrictions	(197,863)	(240,414)
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<b>42,359</b>	<b>(18,192)</b>
<b>Change in Net Assets</b>	<b>236,839</b>	<b>(1,574,497)</b>
<b>Net Assets at Beginning of Fiscal Year</b>	<b>2,239,795</b>	<b>3,814,292</b>
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 2,476,634</b>	<b>\$ 2,239,795</b>

See accompanying independent auditors' report

The accompanying notes are an integral part of these financial statements

## Statements of Cash Flows

Years Ended June 30,

	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 236,839	\$ (1,574,497)
Depreciation expense	298,619	105,644
Accrued interest	23,472	
Non-cash contributions of property and equipment	(160,000)	
(Increase) decrease in operating assets		
Grants and other receivables	(165,918)	618,719
Prepaid expenses	(12,366)	(73,248)
Other assets	5,737	22,409
Increase (decrease) in operating liabilities		
Accounts payable	(30,018)	298,370
Due to KIPP Foundation	44,996	77,693
<b>Net cash provided by (used in) operating activities</b>	<u>241,361</u>	<u>(524,910)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(593,333)	(25,323)
<b>Net cash used in investing activities</b>	<u>(593,333)</u>	<u>(25,323)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term debt		500,000
Payments on notes payable	(8,715)	
<b>Net cash provided by (used in) financing activities</b>	<u>(8,715)</u>	<u>500,000</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(360,687)</u>	<u>(50,233)</u>
<b>Cash and Cash Equivalents, Beginning of Fiscal Year</b>	<u>1,820,179</u>	<u>1,870,412</u>
<b>Cash and Cash Equivalents, End of Fiscal Year</b>	<u>\$ 1,459,492</u>	<u>\$ 1,820,179</u>
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Total acquisitions of property and equipment	\$ 853,533	
Acquired through acquisition of debt	(100,200)	
Contributed by a donor	(160,000)	
<b>Cash paid for acquisitions of property and equipment</b>	<u>\$ 593,333</u>	

See accompanying independent auditors' report  
The accompanying notes are an integral part of these financial statements



## Notes to Financial Statements.

June 30, 2011 and 2010

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

KIPP New Orleans, Inc ("KIPP N O ") was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana. KIPP N O was created to provide students with knowledge, skills, and character traits necessary to succeed in competitive high schools, college, and life. The State Board of Elementary and Secondary Education has granted KIPP N O six (6) Type 5 charters to operate KIPP Believe (includes Primary and College Prep and was previously KIPP Phillips Preparatory), KIPP McDonogh 15 School for the Creative Arts (Primary and Middle), KIPP Central City Academy, KIPP Central City Primary, KIPP New Orleans Leadership (Primary and Academy) and KIPP Renaissance High School. In addition, the KIPP New Orleans School Support Center ("SSC") provides support to each of the schools in the areas of development, operations, finance, academics, recruitment, and planning. All KIPP N O schools and the SSC are governed by the KIPP N O Board of Directors.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles and KIPP N O is required to report information regarding its financial position and activities according to three classes of net assets as follows:

**Unrestricted Net Assets** - Net assets which are free of donor-imposed restrictions.

**Temporarily Restricted Net Assets** - Net assets whose use by KIPP N O is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the organization pursuant to such stipulations.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by KIPP N O.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

#### Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. It is KIPP N O's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. Based on management's assessment of the credit history, third-party contracts, and other circumstances, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

## Notes to Financial Statements

June 30, 2011 and 2010

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Property and Equipment

Property and equipment acquired are capitalized at cost. Contributed property and equipment are recorded at fair value at the date of donation. It is KIPP N O's policy to capitalize expenditures for individual items in excess of \$1,000 or groups of similar items in excess of \$2,500. Lesser amounts are expensed as incurred. Property and equipment are being depreciated over their estimated useful lives using the straight-line method using the following lives:

Furniture, fixtures and equipment	3 - 10 years
Leasehold improvements	3 - 10 years

#### Public Support and Revenue

KIPP N O receives its support primarily from the Louisiana State Department of Education and the United States Department of Education.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received.

Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support. KIPP N O uses the direct write-off method of writing off uncollectible receivables.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Income Tax Status

KIPP N O is a tax-exempt organization under Internal Revenue Code Section 501 (c) (3) and, as such, is not subject to income tax.

Management has evaluated KIPP N O's tax positions and concluded that as of June 30, 2011 and 2010, KIPP N O does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. KIPP N O is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2008 through June 30, 2011.

**Notes to Financial Statements.**

June 30, 2011 and 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Compensated Absences**

All instructional staff members are granted ten paid time off (PTO) days at the beginning of each year. Unused days do not roll forward at the end of the fiscal year and may not be redeemed for additional compensation at the end of the year. School Support Center and non-instructional staff earn a total of 15 PTO days per year. Unused days do not carry forward at the end of the fiscal year and may not be redeemed for additional compensation at the end of the year or end of employment with KIPP N O.

**Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, KIPP N O considers all unrestricted, highly liquid investments with an initial maturity of less than three months to be cash and cash equivalents.

**Reclassification**

Certain 2010 amounts have been reclassified to conform to the 2011 financial statement presentation. Net assets and changes in net assets did not change due to these reclassifications.

**NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Under State law, deposits with financial institutions must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2011 and 2010, KIPP N O's deposits (bank balances) totaled approximately \$1.66 million and \$1.88 million, respectively. These deposits are secured from risk by federal deposit insurance under the temporary Transaction Account Guarantee Program. There were no balances as of June 30, 2011 and 2010 that were unsecured or uninsured. KIPP N O did not hold any investments as of June 30, 2011 and 2010.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2011 and 2010 consisted of the following:

	2011	2010
Furniture, fixtures and equipment	\$ 869,919	\$ 263,601
Leasehold improvements	817,513	570,298
Accumulated depreciation	(577,148)	(278,529)
Property and equipment, net	<u>\$ 1,110,284</u>	<u>\$ 555,370</u>

## Notes to Financial Statements.

June 30, 2011 and 2010

### NOTE 3 – PROPERTY AND EQUIPMENT – CONTINUED

Depreciation expense for KIPP N O for the years ended June 30, 2011 and 2010 was \$298,619 and \$105,645, respectively

KIPP N O occupies and utilizes buildings owned by the Recovery School District in New Orleans. The cost of these buildings is not reflected in the statement of financial position as asset title remains with the Recovery School District. KIPP N O has not recorded the free use of the facilities during the years ended June 30, 2011 and 2010, as the fair value is not readily determinable.

### NOTE 4 – DEBT

#### Notes Payable

On June 20, 2011, KIPP N.O. entered into a short-term installment payment agreement with Baytree National Bank & Trust Company for the purchase of software. The terms of the agreement require twelve monthly payments of \$8,620. The final payment is due in May 2012. The balance of the obligation as of June 30, 2011 was \$91,485.

#### Long-Term Debt

On January 22, 2010, KIPP N O entered into a loan agreement with Charter Fund, Inc. (the "Fund"), a nonprofit corporation doing business as the Charter School Growth Fund, in the amount of \$500,000. Interest on the loan started from the date of funding, which was April 12, 2010. Interest accrues at a rate of 3.25% per annum (based on a 360 day year) and is due in full on November 1, 2017. Principal repayments are due in the amount of \$200,000 on November 1, 2016 and \$300,000 on November 1, 2017.

According to the terms of the loan agreement, \$300,000 of the principal due and any accrued but unpaid interest on such principal, may be forgiven and treated as a grant award if KIPP N O achieves certain milestones for fiscal 2014, as determined by the Fund in its sole and absolute discretion. Any amounts not forgiven shall remain payable (both principal and interest) until maturity.

Interest expense for the years ended June 30, 2011 and 2010, was \$23,472 and \$0, respectively.

#### Line of Credit

Subsequent to June 30, 2011, KIPP N O obtained a line of credit with a borrowing base equal to the lesser of \$1,500,000 or 80% of the aggregate amount of eligible accounts receivable. The interest rate on the line of credit is the Prime rate plus .75%. The line of credit matures on August 15, 2012 and renews on an annual basis.

### NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 were available for the following purposes:

	2011	2010
KIPP to College Program	\$ 155,490	\$ 129,462
Student Scholarships	73,500	71,500
College savings plan	1,000	
Facility repairs and renovations	15,000	1,669
	<u>\$ 244,990</u>	<u>\$ 202,631</u>

## Notes to Financial Statements

June 30, 2011 and 2010

### NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the year in the amounts of \$196,194 and \$240,414 for the years ended June 30, 2011 and 2010, respectively

### NOTE 6 – RETIREMENT PLANS

Substantially all employees of KIPP N O are members of an employer sponsored 403(b) retirement plan. In addition, some employees of McDonogh 15 School for the Creative Arts are members of the Teachers' Retirement System of Louisiana ("TRSL"). KIPP N O made contributions to both plans for the year ended June 30, 2010. KIPP N O ceased making contributions to the TRSL plan effective July 1, 2010. KIPP N O made contributions to the 403(b) retirement plan for the year ended June 30, 2011. Pertinent information relative to each plan is as follows:

#### Teachers' Retirement System of Louisiana (TRSL) Plan

##### *Description*

The TRSL consists of three membership plans: Regular Plan, Plan A, and Plan B. The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report and includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

##### *Funding Policy*

Plan members are required to contribute 8.0%, 9.1%, and 5.0% of their annual covered salary for the Regular Plan, Plan A, and Plan B, respectively. KIPP N O is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2010 was 16.6% of annual covered payroll for all three membership plans. Member contributions and employer's contributions for the TRSL are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. KIPP N O's employer contribution for the TRSL, as provided by state law, is funded by the State of Louisiana through annual appropriations and by remittance from KIPP N O. KIPP N O's contributions to the TRSL for the year ended June 30, 2010 amounted to \$382,219, which were equal to the required contributions for that year. Effective July 1, 2010, KIPP N O ceased making contributions to TRSL.

#### 403(b) Plan

##### *Description*

KIPP N O has a 403(b) deferred compensation plan covering substantially all employees. Covered employees may elect to contribute a portion of their salaries as allowable. KIPP N O elected to match 6% of covered employees' salaries as contributions. KIPP N O's contributions were \$433,872 and \$314,056 for the years ended June 30, 2011 and 2010, respectively.

## **Notes to Financial Statements.**

**June 30, 2011 and 2010**

### **NOTE 7 – CONTINGENCIES**

#### **Federal and State Grant Programs**

KIPP N O participates in numerous federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Grantor agencies reserve the right to perform certain audit work in addition to work performed by KIPP N O's independent auditors. The grants generally require that all records, supporting documents and audit documentation be made available for a period of five years from the date the audit report is issued. Disallowed costs, if any, resulting from such additional audit work would have to be absorbed by KIPP N O. In the opinion of KIPP N O, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

#### **Other Contingencies**

At June 30, 2010, KIPP N O was not a defendant or co-defendant in any lawsuits arising from the normal course of operations. During the year ended June 30, 2011, there are two potential claims arising from the ordinary course of business. Management does not believe there will be a material adverse effect on the financial position of KIPP N O.

### **NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS**

KIPP N O has evaluated subsequent events through the date of these financial statements, which represents the date on which the financial statements were available to be issued. Management believes no other events are required to be provided for or disclosed.

## Schedules of Financial Position by School

June 30, 2011 (with comparative totals for 2010)

	2011								2010	
	McDonogh 15 School for the Creative Arts	Belleve College Preparatory School	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Academy	School Support Center	Interfund Eliminations	Total	Total
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ (179,188)	\$ 1,316,135	\$ 192,744	\$ (194,661)	\$ (780,643)	\$ (207,555)	\$ 1,322,660		\$ 1,459,492	\$ 1,820,179
Prepaid expenses	6,362		59,208	59,208					124,778	112,412
Grants receivable	175,119	136,635	172,949	207,579	242,589	217,439	114,654		1,266,974	1,091,379
Other receivables	4,829	2,887	17	479			2,111		10,323	20,000
Due from KIPP New Orleans/Schools	1,178,658	62,361	418,184	391,169	861,688	508,189	1,772,646	\$ (5,192,895)		
Other assets							2,317		2,317	7,099
<b>Total Current Assets</b>	<b>1,185,780</b>	<b>1,518,018</b>	<b>843,102</b>	<b>463,774</b>	<b>313,634</b>	<b>518,073</b>	<b>3,214,398</b>	<b>(5,192,895)</b>	<b>2,883,884</b>	<b>3,051,069</b>
<b>Other Assets</b>										
Deposits			1,500						1,500	2,455
<b>Non-Current Assets</b>										
Property and equipment (net of accumulated depreciation)	287,650	343,869	89,030	74,490	159,630	64,790	100,825		1,110,284	555,370
<b>Total Assets</b>	<b>\$ 1,473,430</b>	<b>\$ 1,861,887</b>	<b>\$ 933,632</b>	<b>\$ 538,264</b>	<b>\$ 473,264</b>	<b>\$ 572,863</b>	<b>\$ 3,315,223</b>	<b>\$ (5,192,895)</b>	<b>\$ 3,975,668</b>	<b>\$ 3,608,894</b>
<b>LIABILITIES AND NET ASSETS</b>										
<b>Current Liabilities</b>										
Accounts payable and accrued expenses	\$ 131,227	\$ 153,793	\$ 84,245	\$ 138,150	\$ 74,948	\$ 40,723	\$ 131,023	\$ 2,845	\$ 756,952	\$ 788,970
Due to KIPP New Orleans/Schools	445,686	1,655,804	433,952	336,310	317,916	623,786	1,582,069	(5,185,740)		
Due to KIPP Foundation	30,000	28,731	28,485	22,060	11,270	7,779	800		127,125	82,129
Notes payable							91,485		91,485	
<b>Total Current Liabilities</b>	<b>607,122</b>	<b>1,736,328</b>	<b>546,682</b>	<b>496,520</b>	<b>404,131</b>	<b>672,297</b>	<b>1,805,377</b>	<b>(5,192,895)</b>	<b>975,582</b>	<b>869,099</b>
<b>Non-Current Liabilities</b>										
Long-term debt							523,472		523,472	500,000
<b>Total Liabilities</b>	<b>607,122</b>	<b>1,736,328</b>	<b>546,682</b>	<b>496,520</b>	<b>404,131</b>	<b>672,297</b>	<b>2,328,849</b>	<b>(5,192,895)</b>	<b>1,499,034</b>	<b>1,369,099</b>
<b>Net Assets</b>										
Unrestricted	866,308	125,559	386,950	41,744	51,133	666	759,384		2,231,844	2,037,164
Temporarily restricted					16,000		226,990		244,990	202,631
<b>Total Net Assets</b>	<b>866,308</b>	<b>125,559</b>	<b>386,950</b>	<b>41,744</b>	<b>69,133</b>	<b>666</b>	<b>986,374</b>		<b>2,476,834</b>	<b>2,239,795</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,473,430</b>	<b>\$ 1,861,887</b>	<b>\$ 933,632</b>	<b>\$ 538,264</b>	<b>\$ 473,264</b>	<b>\$ 672,863</b>	<b>\$ 3,315,223</b>	<b>\$ (5,192,895)</b>	<b>\$ 3,975,668</b>	<b>\$ 3,608,894</b>

See accompanying independent auditors' report

## Schedules of Activities by School

Year Ended June 30, 2011 (with comparative totals for 2010)

	2011								2010
	McDonogh 16 School for the Creative Arts	Belleve College Preparatory School	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Academy	School Support Center	Interfund Elimination	Total
<b>UNRESTRICTED NET ASSETS</b>									
Public Support and Other Revenues									
Local per pupil aid	\$ 1,954,806	\$1,474,243	\$1,600,919	\$ 1,256,611	\$ 580,574	\$ 441,072			\$ 7,308,225
Federal sources	1,161,290	795,880	848,920	874,225	499,292	439,753	\$ 114,664		4,734,024
State public school funds	1,701,001	1,280,918	1,324,214	1,005,455	562,668	347,491			6,221,747
Donations and contributions	339,425	293,500	59,525	46,650	418,322	386,547	1,012,281		2,556,261
Other local sources	31,064	22,637	12,871	21,977	26,557	1,062	33,527		149,395
Other state funds	183,768								183,768
Transfers							872,184	\$ (872,184)	
Total Public Support and Other Revenues	5,371,355	3,867,178	3,846,149	3,204,918	2,087,413	1,615,925	2,032,666	(872,184)	21,153,420
Net Assets Released from Restrictions									
Restrictions satisfied by payments	1,669						196,194		197,863
Total Support, Revenues and Reclassifications	5,373,024	3,867,178	3,846,149	3,204,918	2,087,413	1,615,925	2,228,860	(872,184)	21,351,283
Expenses									
Program services:									
Instructional	3,028,951	1,950,875	2,124,319	1,651,178	868,823	677,877	23,696		10,335,519
Non-instructional	1,851,528	1,555,107	1,467,812	1,343,873	1,047,083	808,935	430,226		8,514,364
Supporting services:									
Management and general	180,858	130,477	95,688	69,090	63,928	59,135	1,581,300		2,200,476
Fundraising							108,444		108,444
Total Expenses	5,071,337	3,648,459	3,687,619	3,084,141	1,979,834	1,546,047	2,141,666		21,156,803
Other unrestricted income (expense)									
Transfers out	(256,732)	(191,148)	(149,784)	(103,440)	(104,388)	(68,872)		872,184	
Increase/(Decrease) in Unrestricted Net Assets	44,935	28,571	8,746	17,337	3,491	3,206	87,194		194,480
<b>TEMPORARILY RESTRICTED NET ASSETS</b>									
Donations					18,000		222,222		240,222
Net assets released from restrictions	(1,669)						(196,194)		(197,863)
Increase in Temporarily Restricted Net Assets	(1,669)				18,000		26,028		42,359
Net Assets at Beginning of Fiscal Year	823,042	95,988	378,204	24,407	47,642	(2,640)	873,152		2,239,795
Net Assets at End of Fiscal Year	\$ 868,308	\$ 125,659	\$ 386,950	\$ 41,744	\$ 69,133	\$ 566	\$ 986,374	\$ -	\$ 2,476,634

See accompanying independent auditors' report



**SCHEDULES REQUIRED BY LOUISIANA STATE LAW  
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

Kipp New Orleans, Inc.  
New Orleans, Louisiana

**Schedules Required by Louisiana State Law  
(F.S. 24:514 - Performance and Statistical Data)**

**As of and for the Year Ended June 30, 2011**

**Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's, Master's, Master's +30, Specialist in Education, and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 - Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers**

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 - Public School Staff Data**

This schedule includes average classroom teachers' salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 - Class Size Characteristics**

This schedule includes the percent and number of classes and student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

**Schedule 7 - Louisiana Educational Assessment Program (LEAP)**

This schedule represents student performance testing data and includes summary scores for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule contains three years of data.

**Kipp New Orleans, Inc.  
New Orleans, Louisiana**

**Schedules Required by Louisiana State Law - Continued  
(F.S. 24:514 - Performance and Statistical Data)**

**As of and for the Year Ended June 30, 2011**

**Schedule 8 - Graduation Exit Exam**

Not applicable

**Schedule 9 - iLEAP Test Results**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 in each category tested. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

The school does not have grades 10 or 11, therefore, this schedule does not apply.

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

Board of Directors  
KIPP New Orleans, Inc  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of KIPP New Orleans, Inc (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of KIPP New Orleans, Inc and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. Management of the School is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures,
- Total General Fund Equipment Expenditures,
- Total Local Taxation Revenue,
- Total Local Earnings on Investment in Real Property,
- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue

### Findings:

None

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**Education Levels of Public School Staff (Schedule 2)**

- 2 We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1st
- 3 We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule
- 4 We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule

**Findings:**

We found four instances of employees that were included in the number of full-time classroom teachers, however, they were not included in the School's payroll records as of October 1

We found two instances in which there was not supporting documentation in the personnel file to verify the teacher's education level

**Number and Type of Public Schools (Schedule 3)**

- 5 We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84 010) application and/or the National School Lunch Program (CFDA 10 555) application

**Findings:**

None

**Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)**

- 6 We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule

**Findings:**

We found 14 instances in which the number of years experience of the employee as listed in the Profile of Educational Personnel file did not agree with the number of years experience in their personnel file

We also found one instance in which there was not supporting documentation in the personnel file to verify the employee's experience

**Public School Staff Data: Average Salaries (Schedule 5)**

- 7 We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule
- 8 We recalculated the average salaries and full-time equivalents reported in the schedule

**Findings:**

We found seven instances in which salary amounts for the employees did not agree to the employee's actual salary amount. For a majority of the employees selected for testing there was not evidence of the employee's current salary in their personnel file. Alternatively, we traced the employee salaries to the School's payroll records.

**Class Size Characteristics (Schedule 6)**

- 9 We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

**Findings:**

None

**Louisiana Educational Assessment Program (LEAP) (Schedule 7)**

- 10 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

**Findings:**

None

**Graduation Exit Exam (Schedule 8)**

- 11 Not applicable

**iLEAP Tests (Schedule 9)**

- 12 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

**Findings:**

None

We were not engaged to perform, and did not perform, an audit or examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Kipp New Orleans, Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



South Portland, Maine  
December 23, 2011

**General Fund Instructional and Support Expenditures and  
Certain Local Revenue Sources  
For the year ended June 30, 2011**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 5,243,576
Other Instructional Staff Activities	219,777
Instructional Staff Employee Benefits	1,258,801
Purchased Professional and Technical Services	200,737
Instructional Materials and Supplies	588,463
Instructional Equipment	164,073

Total Teacher and Student Interaction Activities		\$ 7,675,427
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Other Instructional Activities		158,205
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Pupil Support Activities	1,217,814	
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Less Equipment for Pupil Support Services	-	
---	---	--

Net Pupil Support Services		1,217,814
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Instructional Staff Services	333,045	
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Less Equipment for Instructional Staff Services	-	
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Net Instructional Staff Services		333,045
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School Administration	2,163,105	
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Less Equipment for School Administrations	-	
---	---	--

Net School Administration		2,163,105
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Total General Fund Instructional Expenditures		\$ 11,547,596
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Total General Fund Equipment Expenditures		\$ 164,073
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Certain Local Revenue Sources

Note KIPP New Orleans, Inc receives local revenues from the Orleans Parish School Board which is passed through the Recovery School District KIPP does not receive a detailed schedule of the source of these revenues This section is not applicable to charter schools under the Recovery School District

KIPP NEW ORLEANS, INC.					Schedule 2			
NEW ORLEANS, LOUISIANA								
Education Levels of Public School Staff								
As of October 1, 2010								
Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	20	80%	91	83%	5	83%	8	80%
Master's Degree	5	20%	17	16%	1	17%	2	20%
Master's Degree + 30			1	1%				
Specialist in Education								
Ph D or Ed D								
Total	25	100%	109	100%	6	100%	10	100%



KIPP NEW ORLEANS, INC.						Schedule 3
NEW ORLEANS, LOUISIANA						
<b>Number and Type of Public Schools</b>						
<b>For the year ended June 30, 2011</b>						
						<b>2011</b>
<b>Type</b>						<b>Number</b>
Elementary						1
Middle/Jr High						3
Secondary						1
Combination						1
Total						6
Note Schools opened or closed during the fiscal year are included in this schedule						

KIPP NEW ORLEANS, INC.					Schedule 4			
NEW ORLEANS, LOUISIANA								
Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers								
As of October 1, 2010								
	0-1 Yr	2-3 Yrs	4-10 Yrs	11-14 Yrs	15-19 Yrs	20-24 Yrs	25+ Yrs	Total
Assistant Pnncipals	2	3	3					8
Classroom Teachers	37	59	38					134
Pnncipals		4	4					8
Total	39	66	45	0	0	0	0	150

KIPP NEW ORLEANS, INC.		Schedule 5	
NEW ORLEANS, LOUISIANA			
<b>Public School Staff Data</b>			
<b>For the year ended June 30, 2011</b>			
	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions</b>	
Average Classroom Teachers' Salary Including Extra Compensation	\$ 46,251	\$ 46,251	
Average Classroom Teachers' Salary Excluding Extra Compensation	\$ 46,251	\$ 46,251	
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	134	134	

<b>KIPP NEW ORLEANS, INC.</b>				<b>Schedule 6</b>			
<b>NEW ORLEANS, LOUISIANA</b>							
<b>Class Size Characteristics</b>							
<b>As of October 1, 2010</b>							
				<b>CLASS SIZE RANGE</b>			
				<b>1 -20</b>		<b>21 -26</b>	
				<b>27 - 33</b>		<b>34 +</b>	
<b>School Type</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Elementary	28%	28	72%	73		0	0
Elementary Activity Classes							
Middle/Jr High	19%	53	68%	189	12%	34	0%
Middle/Jr High Activity Classes							
High	57%	28	35%	17	8%	4	0
High Activity Classes							
Combination							
Combination Activity Classes							
<b>Note</b> The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K - 3 is 26 students and maximum enrollment in grades 4 - 12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.							



<b>KIPP NEW ORLEANS, INC.</b>				<b>Schedule 8</b>
<b>NEW ORLEANS, LOUISIANA</b>				
<b>Graduation Exit Exam</b>				
<b>For the Year Ended June 30, 2011</b>				
The school does not have grades 10 or 11, therefore this schedule does not apply				

**For the Years Ended June 30**

See independent paragraph 15 for an expanded discussion procedure.

# macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
KIPP New Orleans, Inc  
New Orleans, Louisiana

We have audited the financial statements of KIPP New Orleans, Inc. (the School) as of and for the year ended June 30, 2011, which collectively comprise KIPP New Orleans, Inc.'s basic financial statements and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Internal Control Over Financial Reporting**

Management of KIPP New Orleans, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KIPP New Orleans, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Board of Directors  
KIPP New Orleans, Inc

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether KIPP New Orleans, Inc 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



South Portland, Maine  
December 23, 2011

# macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

**Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control Over Compliance and Schedule of Expenditures of Federal  
Awards in Accordance with OMB Circular A-133**

Board of Directors  
KIPP New Orleans, Inc  
New Orleans, Louisiana

## **Compliance**

We have audited KIPP New Orleans, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of KIPP New Orleans, Inc.'s major federal programs for the year ended June 30, 2011. KIPP New Orleans, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of KIPP New Orleans, Inc.'s management. Our responsibility is to express an opinion on KIPP New Orleans, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP New Orleans, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on KIPP New Orleans, Inc.'s compliance with those requirements.

In our opinion, KIPP New Orleans, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-2.

## **Internal Control Over Compliance**

Management of KIPP New Orleans, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered KIPP New Orleans, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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### Internal Control Over Compliance - Continued

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

KIPP New Orleans, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit KIPP New Orleans, Inc.'s responses and, accordingly, we express no opinion on the responses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of KIPP New Orleans, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



South Portland, Maine  
December 23, 2011

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<b>U S. Department of Education</b>		
<u>Passed-Through State of Louisiana Department of Education</u>		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84 010	\$ 1,545,841
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84 389	4,726
Total Title I, Part A Cluster		<u>1,550,567</u>
Special Education Cluster (IDEA)		
Special Education - Grants to States	84 027	298,120
Special Education - Preschool Grants	84 173	8,592
ARRA - Special Education Grants to States, Recovery Act	84 391	95,701
Total Special Education Cluster (IDEA)		<u>402,413</u>
Charter Schools	84 282	682,439
School Improvements Grants, Recovery Act	84 388	228,776
Improving Teacher Quality State Grants	84 367	206,445
Education Jobs Fund	84 410	234,386
Safe and Drug Free Schools and Communities - State Grants	84 186	11,474
<u>Passed-Through Foundations</u>		
Investment in Innovation (i3) Fund	84 396	96,326
Charter Schools	84 282	188,119
Total U S Department of Education		3,600,945
<b>U.S. Department of Health and Human Services</b>		
<u>Passed-Through State of Louisiana Department of Education</u>		
Temporary Assistance for Needy Families	93 558	183,768
<b>U.S. Department of Agriculture</b>		
<u>Passed-Through State of Louisiana Department of Education</u>		
National School Lunch Program	10 555	<u>1,133,078</u>
Total Expenditures of Federal Awards		<u>\$ 4,917,791</u>

## **Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2011**

### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of KIPP New Orleans, Inc under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of KIPP New Orleans, Inc, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Schedule is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

### Section I Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued		Unqualified
Internal control over financial reporting		
Material weakness(es) identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  √  </u> None reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  √  </u> No

#### Federal Awards

Internal control over major programs		
Material weakness(es) identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiency(ies) identified?	<u>  √  </u> Yes	<u>      </u> None reported
Type of auditors' report issued on compliance for major programs		Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	<u>      </u> Yes	<u>  √  </u> No

Identification of major programs

#### CFDA Number(s)    Name of Federal Program or Cluster

84 027, 84 173,    Special Education Cluster (IDEA)  
84 391,

84 010, 84 389    Title I, Part A Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	<u>  √  </u> Yes <u>      </u> No
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### Section II Financial Statement Findings

None noted

## **Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2011**

### **Section III      Federal Award Findings**

**Finding 2011-1, U.S. Department of Education, CFDA #'s 84.010 and 84.389, Title I, Part A Cluster and CFDA #'s 84.027, 84.173 and 84.391, Special Education Cluster (IDEA)**

#### **Condition**

There was a lack of evidence of approval of invoices that were charged to the program

#### **Criteria**

OMB Circular A-87 requires that amounts charged to federal award programs be properly approved

#### **Cause**

The School was not consistent in documenting that invoices were approved for payment.

#### **Effect**

Failure to approve invoices prior to payment could potentially result in ineligible expenses being charged to the program

#### **Questioned Costs**

There were no questioned costs identified

#### **Context**

We found one instance out of a sample of 40 transactions for which there was not proper evidence of approval in the Title I, Part A Cluster. We found five instances out of a sample of 40 transactions for which there was not proper evidence of approval in the Special Education Cluster (IDEA)

#### **Recommendation**

The individuals responsible for approving invoices should be more careful to ensure that they provide evidence of approval of invoices by initialing the invoices. In addition, accounts payable personnel should be trained to not process an invoice and send it back to the responsible person for approval if there is not evidence of approval clearly indicated on the invoice.

#### **Grantee's Response**

A process is in place in Fiscal 2012 whereby any invoices that do not have an approval will be returned to the authorizer for approval. This review will take place with the accounts payable person as well as the person signing the check (either CFO or Controller).

## **Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2011**

### **Section III      Federal Award Findings – Continued**

**Finding 2011-2, U.S. Department of Education, CFDA #'s 84.010 and 84.389, Title I, Part A Cluster**

#### **Condition**

We found instances of expenses charged to the program for which there was not supporting documentation available to review, such as an invoice

#### **Criteria**

OMB Circular A-87 requires that amounts charged to federal award programs be supported by supporting documentation such as an invoice

#### **Cause**

The invoices were lost or misplaced

#### **Effect**

Failure to provide supporting documentation for expenses could potentially result in ineligible expenses being charged to the program

#### **Questioned Costs**

The total amount of potential questioned costs based on the two missing invoices was \$368

#### **Context**

We found two instances out of a sample of 40 transactions for which there was not an invoice or other supporting documentation to substantiate the expense. The dollar amount of the two invoices was \$368 out of a total of \$41,486 expenses examined in the sample. This results in projected potential questioned costs of \$13,754.

#### **Recommendation**

The School should be careful to make sure that all invoices are obtained to support expenses and that the invoices are filed and maintained so that they can be obtained for future reference to substantiate the expenses incurred.

#### **Grantee's Response**

The School will be sure that no expenses are submitted for reimbursement without an approved invoice as supporting documentation.



## **Summary Schedule of Prior Audit Findings and Questioned Costs**

**Year Ended June 30, 2011**

### **Finding 2010-1, Segregation of Accounting Duties**

#### Condition:

Based on our observations during the audit, it is our opinion that the accounting department was understaffed. As a result, certain accounting duties and processing of accounting transactions did not occur on a timely basis. Timely financial statements are critical to enable the effective management of KIPP N.O.

As KIPP N.O. has continued to grow in size, and there has not been a proportional increase in the accounting department's staffing. Expanding the accounting department would facilitate the segregation of accounting duties and greatly strengthen KIPP N.O.'s internal controls.

Additionally, during fiscal 2010, there was significant turnover in the accounting department including the Director of Finance.

#### Recommendation:

We recommend that KIPP N.O. hire additional personnel in order to properly staff the accounting department.

#### Current Status:

Corrected

### **Finding 2010-2, Time and Effort Documentation in Accordance with OMB A-87**

#### Condition:

The School did not maintain semi-annual certificates or time and effort distribution records on employees whose salaries are funded through the following programs: Title I, Title II, Title IV, Title V part B and IDEA.

#### Recommendation:

It was recommended that the School adopt policies and procedures to comply with the requirements of OMB Circular A-87. A certificate should be created to be completed semi-annually by employees whose compensation is funded solely from a single cost objective. For employees whose time is split between multiple cost objectives or programs, we recommend that time and activity reports be maintained throughout the year, preferably for each pay period. This would apply to all employees whose compensation is funded through Title I, Title II, Title IV, Title V part B, and IDEA programs (including ARRA funding).

#### Current Status:

Corrected



April 5, 2012

Legislative Auditor  
Post Office Box 94397  
1600 North 3<sup>rd</sup> Street  
Baton Rouge, Louisiana 70804

Kipp New Orleans, Inc respectfully submits the following correction action plan for the year ended June 30, 2011.

Name and address of the independent public accounting firm:

Macdonald page & co LLC  
30 Long Creek Drive  
South Portland, ME 04106

Audit Period  
July 1, 2010 through June 30, 2011

The findings from the June 30, 2011 Louisiana Agreed Upon Procedures report is discussed below.

**Education Levels of Public School Staff (Schedule 2)**

**Findings:**

We found four instances of employees that were included in the number of full-time classroom teachers, however, they were not included in the School's payroll records as of October 1

We found two instances in which there was not supporting documentation in the personnel file to verify the teacher's education level

**Action Taken:**

- Verified employee listing for October 1, 2011 PEP Report with the October 1, 2011 payroll report to identify discrepancies and ensured the file submitted this year reflects the accurate number of employees currently employed with KIPP New Orleans Schools.
- Conducted an audit of personnel files, identified missing documentation and enlisted support of Business Operations Managers to ensure files are up to date and accurate.
- Moved files to the School Support Center to ensure timely updates are made to all files

**Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers**  
**(Schedule 4)**

**Findings:**

We found 14 instances in which the number of years experience of the employee as listed in the Profile of Educational Personnel file did not agree with the number of years experience in their personnel file

We also found one instance in which there was not supporting documentation in the personnel file to verify the employee's experience

**Action Taken:**

- Conducted audit of personnel files and collected documentation to establish and support the number of years experience listed on the PEP Report, and adjusted PEP Report data this year to reflect accurate years of experience.

**Public School Staff Data: Average Salaries (Schedule 5)**

**Findings:**

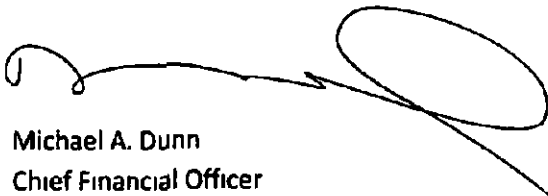
We found seven instances in which salary amounts for the employees did not agree to the employee's actual salary amount. For a majority of the employees selected for testing there was not evidence of the employee's current salary in their personnel file. Alternatively, we traced the employee salaries to the School's payroll records

**Action Taken:**

- Verified Payroll Report with PEP Report and submitted corrections for the salary amount.
- Enforced the process requiring all managers to complete Employee Change Forms for any compensation changes and ensure the forms are then filed in employee folders to reflect the accurate salary.

If you have any additional questions regarding this plan, please contact Michael Dunn at (504) 565-6150

Sincerely yours,



Michael A. Dunn  
Chief Financial Officer

# NEW ORLEANS SCHOOLS

## CORRECTIVE ACTION PLAN

January 18, 2012

U.S. Department of Education

KIPP New Orleans, Inc respectfully submits the following corrective action plan for the year ended June 30, 2011

Name and address of independent public accounting firm

Macdonald Page & Company  
30 Long Creek Drive  
South Portland, Maine 04106

Audit period

July 1, 2010 through June 30, 2011

The findings from the June 30, 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

### DEPARTMENT OF EDUCATION

2011-1 CFDA #s 84.010 and 84.389, Title I, Part A Cluster and CFDA #s 84.027, 84.173 and 84.391, Special Education Cluster (IDEA)

#### *Significant Deficiency*

**Recommendation:** The individuals responsible for approving invoices should be more careful to ensure that they provide evidence of approval of invoices by initialing the invoices. In addition, accounts payable personnel should be trained to not process an invoice and send it back to the responsible person for approval if there is not evidence of approval clearly indicated on the invoice.

**Action Taken:** A process is in place in Fiscal 2012 whereby any invoices that do not have approval will be returned to the authorizer for approval. This review will take place with the accounts payable person as well as the person signing the check (either the CFO or Controller).

**NEW ORLEANS  
SCHOOLS**

2011-2 CFDA #s 84 010 and 84 389, Title I, Part A Cluster

**Significant Deficiency**

**Recommendation** The School should be careful to make sure that all invoices are obtained to support expenses and that the invoices are filed and maintained so that they can be obtained for future reference to substantiate the expenses incurred

**Action Taken.** The School will be sure that no expenses are submitted for reimbursement without an approved invoice as supporting documentation. This policy has taken effect in Fiscal 2012.

If the U.S. Department of Education has questions regarding this plan, please call Michael Dunn at (504) 565-6150

Sincerely yours.

  
Michael A. Dunn  
Chief Financial Officer